

R 141156Z DEC 07
FM AMEMBASSY TBILISI
TO RUEHC/SECSTATE WASHDC 8439
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE

UNCLASSIFIED SECTION 01 OF 02 TBILISI 003096

SIPDIS

SIPDIS

E.O. 12958: N/A

TAGS: [PREL](#) [PGOV](#) [PHUM](#) [ECON](#) [KDEM](#) [GG](#)

SUBJECT: GEORGIA BI-WEEKLY UPDATE DECEMBER 14

¶1. This cable contains current items of political, economic, and social interest concerning Georgia during the weeks of December 1-14.

Georgian Politicians React to Medvedev

¶2. Georgian political figures reacted immediately -- and unanimously -- to Russian President Putin's endorsement of Dmitry Medvedev to be his successor. Both ruling party and opposition leaders agreed that Medvedev could not be expected to change Russia's current policy toward Georgia. While no one predicted a major change in Georgian-Russian relations, several politicians, and especially opposition presidential candidates, used the opportunity to call for improved relations with Russia. Statements from candidates included:

-- David Gamkrelidze, New Rightist leader, pledged that if elected he would make an effort to normalize Georgian-Russian relations.
-- Levan Gachechiladze, United Opposition leader, said that under a new president, Georgian-Russian relations should become respectful, although Georgia should strictly stick to its principles.

Nino Burjanadze, Acting President of Georgia, gave a typically balanced statement, saying "Georgia is interested in normal relations of partnership with Russia. In this case both countries will win."

Employment Program Backfires

¶3. The government was forced to suspend a pre-election plan to assign people to three-month job training opportunities, because the number of positions available was far short of the demand. Eleven registration offices had opened, starting December 5, to register jobseekers, but the offices could not cope with the number of applicants who crowded into them, sometimes leading to angry complaints from would-be applicants. The first day of the program was also plagued with the death of a 55-year woman, a displaced person from Abkhazia, who suffered heart attack while jammed in the crowd. Patrol police were unable to enforce order outside several of the offices, as the number of applicants exceeded both the number of positions and the staff's ability to process their paperwork. Dissatisfied applicants gave critical interviews to journalists on the scene. Georgia's Minister of Health and Social Security announced the temporary suspension of the program to allow time for satisfying the needs of those jobseekers already registered and to find more vacancies for other applicants.

New Jail Opens in Tbilisi

¶4. The government took a step to reduce overcrowding and to improve conditions in prisons -- in accordance with Council of Europe recommendations -- when it opened a new jail in the outer Tbilisi neighborhood of Gldani. The complex comprises five cell blocks, a hospital and an administrative building and has the capacity to hold 4,000 inmates. The facility is equipped with central heating and other amenities, including a library and a shop. More than 2,000 inmates have already been moved to the new facility from the more centrally located but ramshackle Prison #5. At the same time as the opening of the new jail, public television began airing public service announcements stressing the rights of prisoners to decent living conditions.

Prime Minister Predicts FTA with EU

15. On December 4, Lado Gurgenidze made his first official visit as Prime Minister to Brussels, where he met with a variety of European and NATO officials. Commenting on the visit, Gurgenidze told Georgian media that a comprehensive Free Trade Agreement (FTA) was expected to be signed between Georgia and EU in 2009. Gurgenidze predicted progress would be made toward the FTA in 2008, which would then be finalized the next year. Gurgenidze stressed that Georgia already had the so-called GSP+ trade system with the EU, covering over 7,000 products. The new agreement would, however, be a step forward, "boosting Georgia's exports and encouraging Georgian companies."

Government's "Cheap Credit" Initiative

16. On December 11 Prime Minister Lado Gurgenidze met representatives of commercial banks to discuss the pre-election initiative of Mikheil Saakashvili to extending "cheap credit" to businesses and individuals through Georgian commercial banks. According to the Prime Minister, the government launched a special group, which will develop rules and procedures for commercial banks to serve and extend credits within this program starting in early 2008. The goal of the project is to ease access to the credit resources for businesses and individuals, to encourage domestic production and export. Participation of the commercial banks in this project is voluntary. Reportedly, the government of Georgia will allocate USD 300 million for the project and interest rates of the credit resources extended by the commercial banks will be fixed at 4-10% (compared to the present 16% and up for the commercial projects). The National Bank of Georgia will monitor the project.

TBILISI 00003096 002 OF 002

Patriarchate Warns against "Sect"

17. According to a report by the Georgian TV company Mze, the Georgian Orthodox Patriarchate has issued a warning about the recent intensification of the activities of what it called the "Moonist Sect," or the Federation for World Peace, founded by Reverend Sun Myung Moon. The warning was prompted by the poster released by the organization which displayed the photo of a Georgian priest, apparently without the priest's knowledge. Mze reported that supporters of Reverend Moon established the organization in Georgia in 2005, but became active more recently. The Mze story alleged that a number of scandals were associated with the organization, including questionable mass marriages, but provided no further information.

Georgia's TBC Bank Expands in Azerbaijan

18. Mamuka Khazaradze, the head of TBC Bank supervision board, announced on December 11 the acquisition of 75% of the Azeri credit company SOA Credit, a daughter company of the U.S.-founded Share Bank, which still holds 25% in SOA Credit. TBC intends to invest USD 30-50 million next year in SOA Credit to reorganize it into a serious financial institution, offering a broad range of banking service to consumers in Azerbaijan. Special attention will be paid to the retail market and small and medium business credit in Azerbaijan, with financial resources for SOA Credit to be attracted from international finance institutions. TBC Bank intends to start activity in other CIS countries within the next two years as well. At this stage countries are not specified, but the bank mentions that the initial volume of investment will be the same \$30-50 million in each country. In terms of assets and liabilities TBC ranks as the second largest bank in Georgia.

Grants to Support Scientific Innovations

19. On December 10 Georgia's Research and Development Foundation (GRDF), a partner organization of the U.S. Civilian Research and Development Foundation (CRDF), held its third annual grants competition to support commercialization of scientific innovations. For the first time the Georgian Government through its National Science Foundation (GNSF) supported GRDF's initiative and provided 80 percent of funding for the grants. Five winners were chosen out of twelve short-listed project proposals, and each was awarded with up to GEL 60,000 (USD 37,500) to develop and market their respective

products. GNSF further singled out three other proposals and committed to attract additional funding for their implementation. The initiative is intended to spur scientific development in Georgia, which due to a lack of funding has suffered considerable decline and brain-drain. Among the winners institutions were Tbilisi State Medical University, Institute of Metallurgy and Material Science, Institute of Medical Biotechnology, Caucasian Institute of Mineral Resources and Georgia's Technical University.

TEFFT